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WHA/DRL FOR MITTELHAUSER AND NEWLING
USDOL FOR ILAB TINA MCCARTER

SIPDIS
SENSITIVE

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TAGS: [PGOV](#) [PREL](#) [ELAB](#) [AR](#)
SUBJECT: ARGENTINA'S MAIN LABOR CONFEDERATION SPLITS

REF: BUENOS AIRES 1172 AND PREVIOUS

¶1. (SBU) Summary: Long-simmering internal tensions within Argentina's main union confederation, the CGT, finally boiled over in the confederation's latest internal elections. CGT Secretary General Hugo Moyano won a second term, while his rival, Luis Barrionuevo, quit the CGT to create a "dissident CGT" taking 60 small- and medium-sized unions with him. Although there is historical precedent for such a split, current labor legislation makes it unlikely that the GOA would grant formal recognition to Barrionuevo's faction. Nevertheless, Barrionuevo, who is closely aligned with Peronist (PJ) opposition leader and former President Eduardo Duhalde, is a force to be reckoned with on the labor scene, and his decision to break away from the CGT may lead to increased competition in Argentina's labor politics and an upswing in strike activity. Already the unions are trying to squeeze the government, which is increasingly reliant on union support, for more wage and other benefits. End summary.

The Kirchners Stand by Their Man

¶2. (SBU) Hugo Moyano, the Secretary General of Argentina's main union confederation (CGT) won a second term in July 8 internal elections with 77% of the vote. Moyano, who is also a Vice-President for the Peronist Party (PJ), is a close ally of former President Nestor Kirchner, who used Moyano to keep union demands in check while the GOA focused on putting its economic house in order in the wake of the 2001-02 crisis. In the months prior to President Cristina Fernandez de Kirchner's (CFK) election in October 2007, however, Nestor Kirchner courted other prominent labor leaders in order to weaken the CGT's position in annual wage negotiations. In the end, the Kirchners stood by Moyano. Most labor analysts believe they did so because they still need Moyano to help ensure governability, particularly after the GOA's protracted conflict with the agricultural sector (reftel).

Barrionuevo Breaks Away from CGT

¶3. (SBU) Meanwhile, Moyano's rival, Luis Barrionuevo, quit the CGT to create a dissident union confederation known as the "CGT White and Blue," taking 60 small- and medium-sized unions with him. Barrionuevo, who leads the Restaurant Workers' Union, has announced his intentions to seek legal recognition from the Ministry of Labor. However, Argentina's labor laws only allow the legal recognition of one national union confederation, which makes it unlikely that the GOA would grant formal recognition to this new faction. In the weeks following the elections, Barrionuevo sided with the farm sector in the agricultural conflict and publicly aligned himself with PJ opposition leader and ex-President Eduardo Duhalde, whom he reportedly consults with on a daily basis.

GOA Attempts to Appeal to Working Class Base...

¶4. (SBU) In the aftermath of the farm conflict, the GOA has sought to regain the political initiative by announcing measures the administration hopes will appeal to their working class base. In recent weeks, the GOA has announced a 26.5% increase in the minimum wage to be implemented in two stages, rising from AR\$ 980 (approximately USD 325) to AR\$1200 (approximately USD 400) in August and rising again to AR\$ 1240 (approximately USD 412) in December ¶2008. The Ministry of Labor estimates that 300,000 formal, unskilled workers will benefit from the measure. (Note: The measure would not, however, benefit informal workers, who make up an estimated 38-42% of the Argentine workforce.) Subsequently, the GOA announced that it would raise the income tax exemption ceiling by 20%, benefiting an estimated 800,000 workers. According to the Ministry of Labor, 200,000 workers would no longer pay income tax and 600,000 would pay less incomes taxes.

...is a Step in the Right Direction, but Not Enough

¶5. (SBU) The press has portrayed this as a victory for Moyano; however, Moyano himself, while indicating that the measures are steps in the right direction, has also publicly noted that this falls short of CGT expectations. Barrionuevo strongly criticized the GOA decisions, claiming that the measures did little to help workers recuperate their purchasing power when "real" inflation had increased by 55% over the last two years. The rise in minimum wages only benefited unskilled and freelance labor, he added, noting that unionized labor make significantly more than the minimum wage, he noted. Subsequently, Moyano threatened to call for a general strike if the GOA does not address CGT concerns such as increasing retiree pensions and obliging companies to pay higher benefits to middle and lower-paid workers with families. This prompted CFK to meet with Moyano and Hugo Yasky, leader of a rival trade confederation with limited legal recognition (CTA), on September 3, when she reportedly promised to address these issues soon.

¶6. (SBU) Although Argentine public opinion has long viewed labor leaders negatively, including Barrionuevo, a recent poll published in lapoliticaonline.com, an independent journalism website, suggested that Barrionuevo had the highest public approval ratings of any labor leader. Barrionuevo's approval rating stood at 30.8% (with 50.1% reporting a negative view of him), while Moyano's stood at 10.9% (with a 72% negative view). According to the website, Barrionuevo's relative popularity is largely due to the public perception that he was supportive of the agricultural sector in its months-long confrontation with the government over export taxes and farm policy.

COMMENT

¶7. (SBU) Barrionuevo's decision to break away from the "official" CGT is not without precedent. The CGT split twice in the 1980s, and once in the 1990s. The latter split was led by Moyano himself. The CGT remained divided until 2004, when then-President Nestor Kirchner successfully convinced labor leaders to reunite. The confederation held elections that year, which resulted in the establishment of a triumvirate to lead the CGT. Peaceful coexistence among the three main factions was short-lived, however, and in 2005, Moyano proclaimed himself CGT Secretary General.

¶8. (SBU) In Argentina, unions aggressively fight over membership, since the exclusive right to enter into collective bargaining with companies on behalf of all workers is granted to the union that can prove it has the largest membership roster. Recent examples of such union competition in the express courier industry have impacted U.S. companies operating here. Widespread distrust of official inflation data has already resulted in labor demands for wage increases 2-3 times above the official inflation rate. With Barrionuevo's departure from the "official CGT", competition between the two factions will intensify and likely lead to further radicalization of labor demands as each side promises a tougher stance in labor

negotiations in order to attract more adherents. As a result, an
upsurge in strike activity over the next year cannot be ruled out.
End Comment.